

Summary of Responses from the June 2006 Questionnaire Pertaining to the Full Implementation of Inter-Entity Costing sent by the AAPC-IEC Task Force

To date 16 out of 25 agencies responded to the survey (SBA responded with no comments). The survey was sent to both Federal CFO and IG offices. In several cases the responses were coordinated between the two offices. Responses were received from the following federal entities:

Agency Acronym	Agency Name
USDA	Department of Agriculture
DOEd	Department of Education
DOE	Department of Energy
EPA	Environmental Protection Agency
GSA	General Services Administration
DOI	Department of the Interior
DOL	Department of Labor
NASA	National Aeronautics and Space Administration
NSF	National Science Foundation
NRC	Nuclear Regulatory Commission
OPM	Office of Personnel Management
RRB	Railroad Retirement Board
SBA	Small Business Administration
SSA	Social Security Administration
Treasury	Department of Treasury
VA	Department of Veteran Affairs

The following agencies **did not** respond to the survey:

Agency Acronym	Agency Name
AID	United States Agency for International Development
Commerce	Department of Commerce
DOD	Department of Defense
HHS	Department of Health & Human Services
DHS	Department of Homeland Security
HUD	Department of Housing & Urban Development
DOJ	Department of Justice
State	Department of State
DOT	Department of Transportation

Survey Questions

QUESTIONS ON BROAD AND GENERAL SUPPORT COSTS

The following questions pertain to issue area no. 1, extensive evaluation of costs to determine which ones may be considered “broad and general” for all entities. If possible, a list of the costs that should be considered broad and general for all entities will be developed.

Per SFFAS 4, broad and general support services provided by an entity to all or most other entities should not be recognized unless such services form a vital and integral part of the operations or output of the receiving entity.

Paragraph 112 of SFFAS 4 describes this category as follows:

Broad, general support -- Some entities provide broad, general support to many, if not all, reporting entities in the federal government. Most often this type of support involves the establishment of policies and/or the provision of general guidance. The costs of such broad services should not be recognized as an expense (or asset) by the receiving entities when there is no reimbursement of costs. Thus the standard does not apply when support is of a general nature provided to all or most entities of the federal government.

An example of this situation can be found in the Office of Management and Budget which establishes policy and provides general guidance to all parts of the executive branch of government. The costs of OMB should not be spread over all reporting entities because the services provided are (1) general and broad in scope, (2) provided to almost all reporting entities in the executive branch, and (3) not specifically or directly tied to the receiving entity's outputs.

On the other hand, some services provided, under certain circumstances, should still be recognized even though they may be considered broad and general in nature if such services are integral to the operations of the receiving entity. Such services include check writing by the Department of Treasury or legal activities performed by the Department of Justice. For example, when the issuance of checks is integral to the operations of an entity (e.g., the Internal Revenue Service and the Social Security Administration), the receiving entity should include the full cost of issuing checks in the full cost of its outputs. However, if the issuance of checks is insignificant and incidental to the operations of an entity, the entity should not normally recognize that cost.

With the above FASAB description of broad and general costs in mind, please answer the following:

1. Please identify and provide a description, including estimated costs where possible, of all broad and general support services that your entity provides to all or most other entities.

Summary of Responses: 10 of the 15 respondents stated that they do not provide any broad and general support services to all or most federal entities. The other 5 responded as follows:

- GSA – real property and personal property disposal
- DOL – FECA/FEC
- OPM – Human capital oversight and guidance
- SSA – SSN maintenance
- Treasury – Government-wide accounting disbursements, collections, and judgment fund

2. Please identify and provide a description of all broad and general support services that your entity receives, and also identify the providing entity.

Summary of Responses: The majority of respondents noted that they receive broad and general support services from those entities mentioned in questions 4, 5 & 6 below. In addition, NRC mentioned GAO as a provider of broad and general support services and EPA named DFAS payroll as a provider.

3. Describe those cases in which such services received form a vital and integral part of the operations or output of your entity.

Summary of Responses: 12 of the 15 respondents stated that the services were not a vital and integral part of their operations or output. EPA noted that the service were vital to their mission but not integral to their operations. OPM stated that they could not operate its employee benefit programs without Treasury's payment processing services. SSA also noted that the services provided by Treasury are vital and integral and they recognize those expenses.

Below we have identified specific examples of potential broad and general support services. Please identify if you are a provider, receiver, both, or neither for each service listed. If you are a provider and/or receiver, please answer the questions pertaining to the example. We welcome comments from respondents that are neither providers nor receivers as well.

4. Administration of Federal employees' benefit programs – Although Federal entities now recognize the costs of employees' pension and post retirement benefits, they do not recognize the costs of administering those benefit programs. The same is true with workmen's compensation and judgment funds.

a) Indicate if you are a provider, receiver, neither, or both: _____

Summary of Responses: All respondents answered that they were either receivers or both a receiver and provider.

- b) Please provide your rationale for why you believe the cost of services provided by OPM, the Labor Department, and the Treasury for administering the benefit programs and the judgment fund are either broad and general support services or inter-entity services subject to full costing.

Summary of Responses: The most common response was that these services were broad and general support services because they provide services to all agencies and the work is part of those agencies providing the services.

- c) If you believe any of these administrative costs should be considered broad and general, describe any circumstances in which the administrative costs could be considered inter-entity services subject to full costing.

Summary of Responses: All respondents believe the services are broad and general and in most cases there were not any circumstances in which the administrative costs could be considered inter-entity services subject to full costing. In a few cases respondents stated that if the services were material to all receiving entities and directly tied to their operations the administrative costs could be considered inter-entity services subject to full costing.

- 5. Legal services provided by DOJ - DOJ provides legal representation, guidance, and support to the President, the Cabinet, and the executive departments and agencies.

DOJ offers the following for why they believe these services should be considered broad and general: In most cases, non-reimbursed legal support is broad and affects all executive branch agencies regardless of what the "source agency" (i.e. the agency with respect to which the matter arose) may be, thus it would not be reasonable to assign costs of the case to any entity. Where litigation activities are "integral" to an agency's operations, that fact typically is evidenced by a statute expressly giving that agency litigation authority; otherwise all litigation in the United States is reserved to the DOJ. Lastly, the DOJ may take a position that may or may not support the agency receiving the services. However, other entities responded to prior surveys that they believe some DOJ legal services should be considered inter-entity costs.

- a) Indicate if you are a provider, receiver, neither, or both: _____

Summary of Responses: All respondents answered that they were receivers.

- b) Please provide your rationale for why you believe these services are either broad and general support services or inter-entity services subject to full costing.

Summary of Responses: The most common response was that these services were broad and general support services because they are provided to all agencies. DOI stated that these costs are FTE related and can be tied to specific GPRA goals and should be inter-entity services subject to full costing. EPA noted that DOJ services are considered to be inter-entity services because they are directly tied to the Agency's outputs.

- c) If you believe these services should be considered broad and general, describe any circumstances in which the services could be considered inter-entity services subject to full costing.

Summary of Responses: About half of the respondents noted that the services are broad and general and there were not any circumstances in which the administrative costs

could be considered inter-entity services subject to full costing. The other half believe the DOJ administrative costs could be considered inter-entity services subject to full costing if determined to be significant to the receiver and could be directly tied to the agency.

6. Payment and collection services provided by Department of the Treasury – Treasury's payment function includes issuing and distributing check and electronic payments on behalf of other agencies. The collection function includes managing the collection of federal revenues such as individual and corporate income tax deposits, customs duties, loan repayments, fines, and proceeds from leases. FASAB has already stated that check writing services, at least, should be considered broad and general in nature, but should still be recognized if these services are integral to the operations of the receiving entity.

a) Indicate if you are a provider, receiver, neither, or both: _____

Summary of Responses: All respondents answered that they were receivers; Treasury answered both receiver and provider.

- b) Please provide your rationale for why you believe these payment and collection services provided are either broad and general support services or inter-entity services subject to full costing.

Summary of Responses: The most common response was that these services were broad and general support services because they are provided to all agencies.

- c) If you believe these services should be considered broad and general, describe specific circumstances in which these services should still be recognized as an expense by the receiving entity.

Summary of Responses: About half of the respondents noted that the Treasury services are broad and general and there were not any circumstances in which the administrative costs could be considered inter-entity services subject to full costing. The other half believe the Treasury administrative costs could be considered inter-entity services subject to full costing if determined to be significant to the receiver and could be directly tied to the agency.

QUESTIONS ON INDIVIDUAL INTER-ENTITY COSTS

The following questions pertain to directness of relationship to the entity's operation, identifiability, and individual inter-entity costs identified by preparers or auditors.

The Federal Accounting Standards Advisory Board, Statement of Federal Financial Accounting Standards (SFFAS) 4, "Managerial Cost Accounting Standards and Concepts," contains requirements for full reporting of cost. The following extract is intended to provide background information in preparation of completing this part of the survey.

SFFAS 4, Paragraph 112 states:

"However, the situation is often different with goods or services transferred within the federal government that do not involve eventual sales to entities outside the federal government. The federal government in its entirety is an economic entity. Therefore, it is reasonable to expect some flow of goods or services between reporting entities as those entities assist each other in fulfilling their missions and operating objectives. There are some cases in which the cost of non-reimbursed or under-reimbursed goods or services from other entities need not be recognized as part of the cost of the receiving entity. The following general criteria are provided to help in determining the types of inter-entity costs that should or should not be recognized.

-Materiality – As with other accounting standards, the provisions of this standard need not be applied to immaterial items. However, in the context of deciding which inter-entity transactions are to be recognized, materiality, as used here, is directed to be the individual inter-entity transaction rather than to all inter-entity transactions as a whole. Under this concept, a much more limited recognition is intended than would be achieved by reference to the general materiality concept.

In this context, then, materiality should be considered in terms of the importance to the inter-entity transaction to the receiving entity. The importance of the transactions, and thereby their recognition, should be judged in light of the following factors:

- Significance to the entity - The cost of the goods or service is large enough that management should be aware of the cost when making decisions.
- Directness of relationship to the entity's operations - The goods or service provided is an integral part of and necessary to the output produced by the entity.
- Identifiability - The cost of the good or service provided to the entity can be matched to the entity with reasonable precision."

7. Without regard to materiality, complete the attached form identifying all non-reimbursed and under-reimbursed cost not identified previously as broad and general costs, where your entity is the provider of the goods or service and where your entity is the recipient of goods or services from other entities. **(See below tables for responses)**

Receiving Entity	Providing Entity	Type of Good or Service	Material to Receiving Entity?	Period (Annual, Quarterly, Monthly)
DOE	DOD – Air Force	Rent	Yes	Monthly
DOE	DOI	Oil	No	Monthly
Various Federal Agencies	DOE	Reimbursable Work Administrative Charges	No	Monthly
DOE	DOL	Administrative Costs Related to DOL's Administration of EEOICPA	Yes	Annually
Various	GSA	Reduced/Free Rent	Generally Not	Monthly
Forest Service	Bureau of Land Management	Labor costs for fee collection	Unable to determine at this time	Currently not reporting
Forest Service	Bureau of Land Management	Labor costs for law enforcement	Unable to determine at this time	Currently not reporting
Forest Service	National Park Service	Fire Assistance	Unable to determine at this time	Currently not reporting
Corps of Engineers	Bureau of Reclamation	Power generation costs	No	Annual
Western Area Power Authority	Bureau of Reclamation	Power generation costs	No	Annual
Treasury	Bureau of Reclamation	Interest for construction projects	No	Annual
DOE	DOL	RECA and EEOICPA benefit costs	Unknown	Annually
NASA	DoD, Army, Navy, Air Force, Defense Agencies and other Federal Agencies	Cooperative Agreements - Strategic Partnerships	Yes	
NASA	DoD, Army, Navy, Air Force, Defense Agencies and other Federal Agencies	Cooperative Agreements -Mutual Technology Interest	Yes	
NASA	DoD, Army, Navy, Air Force, Defense Agencies and other Federal Agencies	Cooperative Agreements - Strategic Partnerships	Yes	

Receiving Entity	Providing Entity	Type of Good or Service	Material to Receiving Entity?	Period (Annual, Quarterly, Monthly)
NASA	DoD, Army, Navy, Air Force, Defense Agencies and other Federal Agencies	Cooperative Agreements - Transactional,	Yes	
DoD, Army, Navy, Air Force, Defense Agencies	NASA	Cooperative Agreements -Strategic Partnerships	N/A	
DoD, Army, Navy, Air Force, Defense Agencies	NASA	Cooperative Agreements - Mutual Technology Interest	N/A	
DoD, Army, Navy, Air Force, Defense Agencies	NASA	Cooperative Agreements - Transactional,	N/A	
NOAA	NASA	Satellite Development and Construction	N/A	
Various Federal Agencies	NASA	Host Tennant Agreements (rental, maintenance and utilities costs)	N/A	Various Federal Agencies
	NASA	Reimbursable Research (labor, travel, materials, and procurement costs)	N/A	
NOAA	NASA	Design, Develop, Launch, and Test satellites	N/A	NOAA
Various Federal Agencies	NASA	Developing simulation, modeling, or engineering studies for space related activities	N/A	Various Federal Agencies
Various Federal Agencies	NASA	Perform simulations and tests in unique facilities such as wind tunnels	N/A	Various Federal Agencies
Various Federal Agencies	NASA	Test aircraft time	N/A	Various Federal Agencies

Receiving Entity	Providing Entity	Type of Good or Service	Material to Receiving Entity?	Period (Annual, Quarterly, Monthly)
Various Federal Agencies	NASA	Leasing of high-end computer facilities to perform research and science projects.	N/A	
Reimbursable Agreements, various agencies	NRC	Payroll – Imputed Financing	TBD, probably not	
NRC	Interagency Agreements, various agencies	Payroll – Imputed Financing	TBD, would need more information on other agency's imputed finance costs	

8. For the non-reimbursed and under-reimbursed Inter-Entity Cost identified in your table as not being material, please describe why they are not considered to be material. Please be specific in your reasoning. i.e., dollar value of \$x.xx is too small, the amount is only x.x% of total cost, etc.

Summary of Responses: About half of the respondents noted that materiality was determined based on costs as a percentage of revenue or expenditures, which was determined to be too low.

9. Are there any non-reimbursed and under-reimbursed Inter-Entity Cost which have been identified but which your entity believes fails the qualification of having a direct relationship to your entity's operations? If so, identify them and explain how these identified cost are not directly related to your entities operations.

Summary of Responses: All respondents answered "none" or n/a.

10. Assuming that 100% of all non-reimbursed and under-reimbursed cost must be reported to all receiving activities, would your entity have any impediments to implement this policy? If so, what would they be?

Summary of Responses: The following responses were noted:

- the cost would not justify the benefits;
- would require a change in accounting system; and
- too many problems with allocating costs.

11. Is your entity providing non-reimbursed and under-reimbursed goods or services to multiple other entities? And if so, can the cost be identified accurately to the proper entity? For example, if you have multiple tenants in a building can the cost be identified to each tenant?

Summary of Responses:

- 4 responded yes;
- 9 responded no; and
- 2 responded by noting that a costing model would need to be developed.

12. Is your entity receiving non-reimbursed and under-reimbursed goods or services that should be further distributed to multiple responsibility segments of your organization? And if so, can the cost be identified accurately to the proper responsibility segment? For example, if you have multiple responsibility segments receiving free rent in a building can the cost be identified to each segment?

Summary of Responses:

- 13 responded no;
- NASA responded yes; and
- GSA noted that a method of allocation would be needed.

13. In accordance with Interpretation 6 Accounting for Imputed Intra-departmental Costs: An Interpretation of SFFAS 4, please describe all intra entity non-reimbursed and under-reimbursed costs determined to be material.

Summary of Responses: -- 14 responded none
-- USDA noted salary, rent and IT as intra-entity costs.

14. How has your entity used the analyses from question 13 above to determine the impact on cost-per-output performance measures and other relevant data in the *Performance and Accountability Reports, Management's Discussion and Analysis*? How does your entity currently use or plan to use non-reimbursed and under-reimbursed inter-entity costs in cost per output determinations?

Summary of Responses: -- USDA: allocate to strategic goals
-- EPA: pro-rated to outputs
-- NRC: outcome-based performance measures
-- DOI & RRB: reimbursable activity
-- OPM: common service distribution methodology
-- Treasury-FMS: unit cost determination
-- VA: applied to total cost of product
-- 7 respondents: none

15. How has your entity applied, or how does it intend to apply, inter-entity costs to the responsibility segment level?

Summary of Responses: Responses include the following methods:

- common service distribution methodology
- direct costing
- cause and effect
- reasonable allocation
- based on strategic goals
- based on budget allocation
- at the bureau level
- based on the type of cost
- none

16. Please detail any other factors or questions specific to inter-entity non or under-reimbursed costs that would inhibit you from capturing these costs in accordance with the standards.

Summary of Responses:

- 9 noted none
- See individual responses from:
 - Treasury
 - NASA
 - DOEd
 - DOE
 - EPA
 - GSA

17. Identify any non-reimbursed and under-reimbursed costs where you feel additional guidance is necessary before you can identify and capture the costs. Describe the issues that need to be addressed and provide your input for the issues.

Summary of Responses:

- 10 noted none
- See individual responses from:
 - EPA
 - GSA
 - NASA
 - NSF
 - Treasury